

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBASSY PARIS PRIORITY

C O N F I D E N T I A L STATE 007746

EXDIS

E.O. 11652: GDS

TAGS: ENRG, PFOR, IR, UK, FR

SUBJECT: IRANIAN REPRESENTATIONS ON REDUCED OIL LIFTINGS

1. BRITISH AND FRENCH EMBASSIES SEPARATELY APPROACHED DEPARTMENT JANUARY 9 TO DISCUSS IRANIAN REPRESENTATIONS ON THE LEVEL OF CRUDE LIFTINGS BY THE CONSORTIUM.

2. BRITISH REPORTED THAT ENERGY MINISTER BENN HAD MET WITH THE SHAH, AMOUZEGAR AND EQBAL. SHAH DELIVERED A STRONG AND FIRM MESSAGE AS FOLLOWS:

A) THE CONSORTIUM IS IN VIOLATION OF THE 1973 AGREEMENT FOR NOT LIFTING NOMINATIONS, ESPECIALLY IN THE PAST QUARTER;

B) COMPANIES WERE TAKING SHORT-TERM ADVANTAGE OF
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PRICE SHAVING BY IRAQ.

C) IRAN HAD BUDGETED DEFENSE AND ECONOMIC EXPENDITURES AGAINST EXPECTED REVENUES.

D) IRANIAN PROSPERITY IS ESSENTIAL TO THE WEST AND SHAH SAID HE WOULD BE FORCED TO TRIM REGIONAL DEFENSE RESPONSIBILITIES AND ECONOMIC DEVELOPMENT PROGRAMS IF

REDUCED LIFTINGS PERSIST.

E) SHAH MAINTAINED THAT IRANIAN OIL IS AND WILL BE PRICE COMPETITIVE BUT HE SOUGHT ASSURANCE THAT COMPANIES WOULD INCREASE IRANIAN LIFTINGS AND MAKE ANY REDUCTIONS IN OTHER COUNTRIES. AMOUZEGAR SUGGESTED THAT A LIFTING LEVEL OF WITHIN TWO TO THREE PERCENT OF 1974 LEVELS WOULD OVER COME CURRENT PROBLEMS.

3. ACCORDING TO BRITISH EMBASSY REPRESENTATIVE, BENN GAVE NO UNDERTAKING EXCEPT TO DISCUSS THESE REPRESENTATIONS WITH HIS COLLEAGUES. SECRETARY OF TRADE, MEETING WITH IRANIAN MINISTER OF COMMERCE IN MID-DECEMBER, SAID ONLY THAT THE CONCERNS HAD BEEN BROUGHT TO THE ATTENTION OF THE COMPANIES.

4. FRENCH EMBASSY OFFICIAL ALSO CALLED AT DEPARTMENT TO COMPARE NOTES ON IRANIAN SITUATION. HE CONFIRMED THAT GOF HAD RECEIVED DEMARCHES FROM IRANIANS CONCERNING DROP IN CONSORTIUM'S LIFTINGS SIMILAR TO THOSE MADE TO U.S. AND U.K. HE ALSO REPORTED THAT CFP'S LIFTINGS, WHICH ARE RELATIVELY SMALL PERCENTAGE OF TOTAL FOR CONSORTIUM, HAD DROPPED SOME 40 PERCENT BELOW ITS QUOTE OBLIGATIONS END QUOTE FOR OCTOBER AND DECEMBER.

5. IN OUR DISCUSSIONS WITH BOTH BRITISH AND FRENCH, WE HAVE STRESSED OUR PRELIMINARY CONCLUSIONS THAT DROP IN LIFTINGS FROM IRAN IS ATTRIBUTABLE TO: (1) GENERAL DECLINE IN DEMAND FOR HEAVY CRUDES (WHICH MAKE UP SOME 50 PERCENT OF IRAN'S PRODUCTION); AND (2) IRANIAN FAILURE TO KEEP ITS HEAVY CRUDE PRICES COMPETITIVE WITH OTHER GULF HEAVY CRUDES. WE ARE NOW CONCLUDING OUR MARKET

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ANALYSIS AND WILL BE REPLYING TO THE IRANIANS LATER THIS WEEK. OUR REPLY WILL BE CONFINED SIMPLY TO RESULTS OF THIS ANALYSIS WITH CONCLUSION THAT DECLINE IN LIFTINGS FROM IRAN IS DUE TO MARKET FORCES. WE PLAN TO INFORM BRITISH AND FRENCH OF OUR CONCLUSIONS AND THE SUBSTANCE OF OUR REPLY TO THE SHAH. THUS FAR, BOTH BRITISH AND FRENCH INDICATE INTENTION TO RESIST STRONGLY PRESSURES FROM IRANIANS TO INTERVENE DIRECTLY WITH BP, SHELL AND

CFP ON THEIR LIFTING DECISIONS, ARGUING THAT COMPANIES
MUST RESPOND TO MARKET CONDITIONS IN MAKING THEIR
DECISIONS ON LIFTINGS. KISSINGER

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